Arent, Fox, Kintner, Plotkin & Kahn

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Date DEC 7 1979
Fee $ 50.00
CC Washington, D. C.

Secretary,
Interstate Commerce Commission
Washington, D.C. 20423

Dear Madam:

Enclosed are the original and 9 fully executed and notarized copies of the following document between the parties listed below relating to certain railroad rolling stock as described herein:

1.A. Document: Boxcar Agreement ("Lease") dated as of October 23, 1979.

B. Parties: Hillman Manufacturing Company as Owner ("Lessor") and Detroit & Mackinac Railway Company as Railroad ("Lessee").

C. Addresses: Owner, Hillman Manufacturing Company, P.O. Box 510, Brownsville, Pennsylvania 15417 with copies to Operating Lease Services, Inc., c/o Gollust & Tierney, Inc., 30 Rockefeller Plaza, Suite 4510, New York, New York 10020. Railroad, Detroit & Mackinac Railway Company, 120 Oak Street, Tawas City, Michigan 48763 Attn: Charles A. Pinkerton, III.

D. Equipment: Sixty (60) 70 ton 50 foot 7 inch special purpose boxcars with AAR mechanical designation "XF" bearing railroad numbers DM 20270-20299 and 20240-20269.

I respectfully request that the original of this document be recorded under the provisions of 49 U.S.C. §11303. I would also appreciate your stamping the additional copies of the above document which are not required for your filing purposes and returning them to me.

The undersigned certifies that he is acting as counsel to Hillman Manufacturing Company and Operating Lease Services, Inc. and that he has knowledge of the matters set forth in the above described documents.

Sincerely yours,

John D. Hushon

Enclosures

Counterpart — Scott B. White

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

John [illegible]
Arent, Fox, Kintner, Plotkin & Kahn
[illegible]
1815 H. Street, N. W.
Washington, D. C. [illegible]

Dear [illegible]:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on [illegible]/7/79 at [illegible], and assigned recordation number(s). [illegible]

Sincerely yours,

H. G. Homme, Jr.
Secretary

Enclosure(s)

SE-30
(3/79)

BOXCAR AGREEMENT

BETWEEN

OPERATING LEASE SERVICES, INC.
AS OWNER

AND

DETROIT AND MACKINAC RAILWAY COMPANY,
AS RAILROAD

DATED AS OF OCTOBER 23, 1979

(COVERING UP TO 60 SPECIAL PURPOSE XF BOXCARS)

Filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. 11303 (formerly Section 20c of the Interstate Commerce Act) on _____, 1979 at _____, Recordation No. _____.

I N D E X*

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*This Index is included for convenience only and does not form a part of, or affect any construction or interpretation of, this Boxcar Agreement.

BOXCAR AGREEMENT (hereinafter called the "Agreement") dated as of October 23, 1979, between OPERATING LEASE SERVICES, INC., a Connecticut corporation (hereinafter called the "Owner") and DETROIT & MACKINAC RAILWAY COMPANY, a Michigan railroad corporation (hereinafter called the "Railroad").

WHEREAS, the Owner and Whittaker Corporation (Berwick Forge and Fabricating Division) (hereinafter called the "Builder"), have entered into a Purchase Agreement dated as of the date hereof (hereinafter called the "Purchase Agreement") pursuant to which the Builder will construct, sell and deliver to the Owner certain Units of railroad equipment described in Schedule A hereto (hereinafter individually called a "Unit" and collectively, the "Units" or the "Equipment"); and

WHEREAS, the Owner and Manufacturers Hanover Leasing Corporation, a New York corporation (hereinafter called the "Lender") propose to enter into a Loan and Security Agreement (hereinafter called the "Loan Agreement") pursuant to which the Lender will lend to the Owner Eighty Percent (80%) of the Box-car Costs (as defined in the Loan Agreement) of the Equipment, the loans to be made thereunder to be secured by a security interest in the Equipment, an assignment of the Owner's rights and interest in and to this Agreement, all monies and investments at any time held in the Security Deposit Account (as defined in the Loan Agreement) and all Proceeds (as defined in the Loan Agreement) of all of the foregoing; and

WHEREAS, the Railroad desires to obtain the use of all of the Units or such lesser number as are delivered to and accepted by the Owner prior to March 31, 1980, for the term and fees, and upon the conditions hereinafter provided.

NOW, THEREFORE, in consideration of the premises and of the fees to be paid and of the covenants hereinafter mentioned to be kept and performed by the parties, the parties hereto hereby agree as follows:

1. Provision of Equipment, Delivery and Acceptance. The Owner hereby agrees to provide the Units to the Railroad, and the Railroad agrees to accept, use, and maintain the Units, all upon the following terms and conditions, but subject to the rights of the Lender under the Loan Agreement.

The Railroad, at its own expense, will cause one or more of its authorized representatives to (i) review the specifications for the Equipment referred to or set forth in the Purchase Agreement (hereinafter called the "Specifications"), (ii) advise the Owner of its recommendations, if any, with respect to such Specifications, (iii) inspect the Units at various stages of construction, and (iv) consult with the Builder and the Owner, and advise the Owner with respect to the construction of the Units. Upon completion of construction, the Owner will cause each Unit to be delivered to the Railroad at the point or points

within the continental United States of America at which each Unit is delivered to the Owner under the Purchase Agreement. Upon such delivery, the Railroad, at its own expense, will cause an authorized representative of the Railroad to inspect each Unit and, if each such Unit is found to conform to (a) the Specifications and the specifications for the Units described in this Agreement, (b) all requirements and interchange standards of the Association of American Railroads (hereinafter called the "AAR"), the Interstate Commerce Commission (hereinafter called the "ICC"), and the United States Department of Transportation, and (c) all other applicable governmental regulations, to accept delivery of each such Unit and to execute and deliver to the Owner a certificate of acceptance (hereinafter called a "Certificate of Acceptance"), substantially in the form of Exhibit A hereto stating that each such Unit has been delivered, inspected and accepted by the Railroad on the date of such Certificate of Acceptance (such date being hereinafter called a "Delivery Date") and is marked in accordance with Section 8 hereof; whereupon each such Unit shall be deemed to have been delivered to and accepted by the Railroad and shall be subject thereafter to all the terms and conditions of this Agreement.

Notwithstanding the provisions of the preceding paragraph and promptly upon request by the Railroad therefor, the Owner will reimburse the Railroad for all transportation costs, expenses, fees and charges up to a maximum of Two Hundred Dollars ($200) per Unit incurred by the Railroad in connection with transporting the Units from the point at which they are delivered and accepted pursuant to the preceding paragraph to either

(i) an interchange point with the Railroad's lines; or

(ii) a point where such Units are first loaded with freight and placed in revenue earning service,

whichever point is reached first.

2. Term. The initial term of this Agreement (hereinafter called the "Initial Term") as to each Unit shall begin on the Delivery Date of such Unit and shall terminate with respect to all Units on December 31, 1994; provided, however, that this Agreement shall automatically be extended for successive periods of twelve (12) months each (hereinafter called an "Extended Term") with respect to all Units not suffering a Casualty Occurrence (as hereinafter defined) unless the Owner or the Railroad shall give written notice to the other not less than six (6) months prior to the end of the Initial Term or any Extended Term of its intention to terminate this Agreement as to some or all of the Units, in which case this Agreement shall terminate as to those Units for which notice is so given on the last day of the Initial Term or the Extended Term set forth in such notice.

The obligations of (i) the Railroad to pay the Use Fees (as hereinafter defined) due hereunder and all other amounts payable by the Railroad hereunder, and (ii) the Owner to reimburse the Railroad for maintenance expenses, insurance, taxes and all other amounts herein required to be reimbursed by the Owner shall survive the expiration of the Initial Term or any Extended Term of this Agreement.

3. Interline Use of Equipment. The Railroad shall cause the Units to be loaded and placed into interline interchange service (in the continental United States, Canada and/or Mexico) in accordance with ICC and AAR Interchange Rules and Agreements as soon as practicable after their respective Delivery Dates and shall cause the Equipment to continue to be used in such interline interchange service throughout the term of this Agreement.

4. Utilization of the Units; Minimum Utilization; and preference for Outbound Loadings. For the purposes of this Agreement, the term "Hillman Units", "Utilization of the Units" and "Minimum Utilization" shall have the following meanings:

"Hillman Units" means the railroad boxcars which are owned by Hillman Manufacturing Company, a Pennsylvania corporation (hereinafter called "Hillman") and are operated by the Railroad pursuant to a certain Boxcar Agreement between Hillman and the Railroad (hereinafter called the "Hillman Boxcar Agreement") dated as of the same date as this Agreement. The Hillman Units are described in Schedule C attached hereto and incorporated herein by this reference thereto.

"Utilization of the Units" for any period shall be that fraction, expressed as a percentage, the denominator of which is (i) the actual number of hours in such period multiplied by (ii) the number of Units subject to this Agreement during such period (a Unit which is subject to this Agreement for less than the entire period being treated as a fractional Unit based on the number of hours in the period for which such Unit is subject to this Agreement), and the numerator of which is the sum of the number of hours during such period in which each Unit earned any revenue included within the definition of "Use Fees" under Section 6 hereof as a result of being on the tracks of any entity other than the Railroad. Each Unit shall be included in the determination of Utilization of the Units as of its Delivery Date. In the event that the Casualty Value (as defined in the Loan Agreement) with respect to any Unit has been paid to or for the account of the Owner, such Unit shall be excluded from the determination of Utilization of the Units as of the date such Casualty Value is so paid.

"Minimum Utilization" for any period shall be the lesser of

(a) Eighty Percent (80%), or

(b) that hypothetical percentage which, if it had been the level of Utilization of the Units for the one year period immediately preceding the period for which Minimum Utilization is being determined, would have resulted in Use Fees (as hereinafter defined) for the Units for such one year period equalling the Use Fees for such one year period which would have been paid or payable to the Owner if all the Units had (x) been General Purpose XM Boxcars purchased new on November 1, 1979 at a cost of $41,000 each, (y) traveled 16,352 miles Off-Line (as hereinafter defined) during such one year period, and (z) the level of Utilization of the Units for such one year period had been Eighty Percent (80%).

By way of example of the foregoing and not in limitation thereof, Schedule E is attached hereto and incorporated herein by this reference thereto for the purpose of illustrating the calculation of Minimum Utilization under clause (b) above.

Subject to the second proviso set forth below, at no time during the term of this Agreement shall the Railroad give preference for railroad boxcar loadings on its tracks with shipments destined for locations off the Railroad's tracks (such shipments being hereinafter called "Outbound Loadings") to railroad equipment owned, leased, managed, interchanged or otherwise obtained by the Railroad from others over the preference for Outbound Loadings given to the Units if the Units are eligible under applicable ICC and AAR Rules and Regulations for such Outbound Loadings; provided, however, that if at any time during the term of this Agreement for any period of three (3) consecutive months, Utilization of the Units is less than the Minimum Utilization, then the Railroad shall thereafter give preference (subject to any change after the date hereof in applicable law affecting this provision) to the Units for Outbound Loadings for which the Units are eligible under applicable ICC and AAR Rules and Regulations over all other railroad equipment owned, leased, managed, interchanged or otherwise obtained by the Railroad until (a) Utilization of the Units shall be not less than the Minimum Utilization for three (3) consecutive months and, (b) in the good faith opinion of the Railroad, Utilization of the Units without such preference can be expected to continue to exceed Minimum Utilization for the then foreseeable future; provided further that, the foregoing notwithstanding, the Railroad may give preference over the Units for Outbound Loadings to (i) 100 Special Purpose XF boxcars (including any replacements or substitutions therefor) which it currently owns or leases, (ii) 200 General Purpose XM Boxcars (including any replacements or substitutions therefor) which it

currently owns or leases, but only so long as the "General Purpose XM" mechanical designation of such 200 boxcars is not changed, (iii) the 250 boxcars which it manages pursuant to a certain Management Agreement between the Railroad and Hillman dated as of October 31, 1978 (hereinafter called the "Hillman Management Agreement") if so required pursuant to the Hillman Management Agreement, and (iv) the Hillman Units if so required pursuant to the Hillman Boxcar Agreement, except that in the event the Railroad is required under Section 4 of the Hillman Boxcar Agreement to give preference to the Hillman Units for Outbound Loadings and is required pursuant to the first proviso of this sentence to give preference to the Units for Outbound Loadings, the Railroad shall give equal preference for Outbound Loadings to the Units and the Hillman Units. The 300 boxcars presently owned or leased by the Railroad and the 250 boxcars managed by the Railroad pursuant to the Hillman Management Agreement are described in Schedule B attached hereto and incorporated herein by this reference thereto.

5. Adjustments for Underutilization. If, for any consecutive three (3) month period during the term of this Agreement, the Utilization of the Units in such period is less than the Minimum Utilization, then within thirty (30) days after the determination of the Utilization of the Units for such period, the Railroad shall pay to the Owner an amount equal to the least of the following amounts:

(a) the difference between (i) one-half of the sum of all Incentive Fees (as hereinafter defined) theretofore paid or payable to the Railroad by the Owner less (ii) such amounts as have theretofore been repaid to the Owner pursuant to this Section 5, or

(b) Thirty Thousand Dollars ($30,000) less the sum of such amounts as have been paid by the Railroad to the Owner pursuant to this Section 5 within the immediately preceding twelve (12) month period, or

(c) the difference between (x) the Use Fees which would have been paid or payable to the Owner by the Railroad with respect to such period had the Utilization of the Units equaled the Minimum Utilization and (y) the Use Fees for the Equipment actually paid or payable with respect to such period; provided, however, that if during such period any Units were "out-of-service" (other than as the result of a Casualty Occurrence) as defined in the AAR Car Service Rules and Regulations at the time applicable to such Unit, then the amount payable to the Owner under this clause (c) shall be reduced by Fifty Percent (50%) of the Use Fees which such Units would have generated during such out-of-service period if such Units had been operated at Minimum Utilization during such out-of-service period.

Additionally, within thirty (30) days after the determination of the Utilization of the Units for such consecutive three (3) month period, the Railroad may, at its option and upon not less than

ten (10) days prior written notice to the Owner, make such payment to the Owner as shall equal the difference, if any, between

(i) the sum paid or payable by the Railroad to the Owner in accordance with the immediately preceding sentence, plus the Use Fees theretofore received by the Owner with respect to such consecutive three (3) month period for the Units, and

(ii) the Use Fees that would have been received or receivable by the Owner if the Utilization of the Units for such consecutive three (3) month period had equaled the Minimum Utilization.

If the Railroad shall not make the optional payment in accordance with the immediately preceding sentence, the Owner may terminate this Agreement as to all or such lesser number of Units as the Owner shall determine on ten (10) days prior written notice to the Railroad; provided, however, that if during the period which is the subject of adjustments being made under this Section 5, there was a strike or Act of God which resulted in the Utilization of the Units being below the Minimum Utilization, and unless in the reasonable good faith opinion of the Owner such strike or Act of God is expected to result in the Utilization of the Units being below the Minimum Utilization for the consecutive three (3) month period immediately subsequent to the date of determination of the Utilization of the Units, then the Owner may not terminate this Agreement pursuant to the first clause of this sentence.

6. Use Fees. As the fee for use of the Equipment subject to this Agreement, all payments (except those arising in respect of a Casualty Occurrence) received by the Railroad from other railroads or from any other party for use of or relating to the Units including, without limitation, mileage charges, straight car hire payments under then applicable AAR Car Hire provisions (hereinafter called "Per Diem"), penalties and incentive car hire payments under then applicable AAR Car Hire provisions (hereinafter called "Incentive Per Diem") promptly shall be paid by the Railroad to the Owner not later than the fifth (5) business day after the receipt thereof by the Railroad, together with an accounting thereof as soon as practicable thereafter. Additionally, not later than the fifth (5) business day after the end of each month, the Railroad shall remit to the Owner an amount equal to the lesser of (i) Per Diem payments and Incentive Per Diem payments, if any, for each Unit for each day for which the Railroad has received demurrage during the preceding month, or (ii) the total amount of demurrage received by the Railroad for such Units during such month. (All sums required to be paid by the Railroad to the Owner pursuant to the provisions of this Section 6 are herein collectively called "Use Fees".)

In the event that the Incentive Per Diem, as that term is used in this Agreement and currently in effect under AAR Car

Hire provisions, is materially reduced or eliminated without a corresponding Per Diem or other revenue increase, or in the event that the Railroad is prohibited by law or regulation from paying Incentive Per Diem or any other revenue to the Owner pursuant to the terms of this Section 6, the Owner shall have the right to terminate this Agreement by giving the Railroad written notice of such termination, which said notice shall be effective immediately.

The Railroad shall use its best efforts to collect from all other railroads over whose tracks the Units travel and from any other party or parties using the Units any and all sums which may be due from time to time from such other railroads, party or parties with respect to the Units including, without limitation, mileage charges, payments for damage to the Units and indemnity payments, (if any), Per Diem and Incentive Per Diem.

If any Use Fees referred to above are due on other than a business day, such Use Fees shall then be payable on the next succeeding business day, and no interest shall be payable for the period from and after the nominal date for payment thereof to such next succeeding business day.

7. Railroad's Fees. In addition to reimbursement for expenses incurred by the Railroad for maintenance, insurance, taxes or other purposes as otherwise provided herein, which expenses shall be reimbursed only to the extent expressly set forth herein, the Railroad shall be paid by the Owner a fee of One Hundred Twenty-Five Dollars ($125) per Unit per calendar quarter commencing on the Delivery Date of each Unit hereunder. Such fee shall be payable in arrears on the last day of each December, March, June and September during the term hereof commencing December 31, 1979. Such fee shall be prorated proportionately for periods less than a full calendar quarter with respect to (i) any Unit suffering a Casualty Occurrence and (ii) the calendar quarter during which a Unit is first delivered to and accepted by the Railroad hereunder.

Following the end of each calendar year, commencing with the year ending December 31, 1980, the Owner shall pay to the Railroad incentive fees (hereinafter called "Incentive Fees"), if applicable in accordance with this paragraph. If, in the period commencing with the Delivery Date of the first Unit and ending on December 31, 1980, or in any calendar year thereafter during the term of this Agreement,

(a) The Units subject to this Agreement earn Per Diem revenue under then applicable AAR Car Hire provisions on the average in excess of 7,008 hours per annum each during such period on the lines of railroads other than on those of the Railroad (herein called "Off-Line"), an amount equal to fifty percent (50%) of such Per Diem revenue with respect to usage in excess of 7,008 hours per annum actually paid or payable as Use Fees to the Owner by

the Railroad with respect to such period shall be repaid by the Owner to the Railroad as an Incentive Fee; and/or

(b) The Units subject to this Agreement earn Incentive Per Diem revenue under then applicable AAR Car Hire provisions on the average in excess of 3,504 hours per annum each during such period Off-Line, an amount equal to Fifty Percent (50%) of such Incentive Per Diem revenue with respect to usage in excess of 3,504 hours per annum actually paid or payable as Use Fees to the Owner by the Railroad with respect to such period shall be repaid by the Owner to the Railroad as an Incentive Fee; and/or

(c) The Units subject to this Agreement earn mileage revenue under then applicable AAR Car Hire provisions on the average in excess of 16,352 miles per annum each during such period Off-Line, an amount equal to Fifty Percent (50%) of such excess actually paid or payable as Use Fees to the Owner by the Railroad with respect to such period shall be repaid by the Owner to the Railroad as an Incentive Fee.

By way of example of the foregoing and not in limitation thereof, Schedule D is attached hereto and incorporated herein by this reference thereto for the purpose of illustrating the calculation of Incentive Fees under this Section 7.

All Incentive Fees payable pursuant to the preceding paragraphs of this Section 7 shall be determined as soon as practicable at the end of each calendar year, commencing with the year ending December 31, 1980, during the term of this Agreement, but no later than February 1 of each calendar year thereof, and shall be paid by the Owner in four equal quarterly installments on the last day of March, June, September and December of the year following the year for which such Incentive Fees were earned.

8. Identification Marks. The Railroad will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not therein listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the following words:

"MORTGAGED TO A FINANCIAL INSTITUTION UNDER A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION"

or other appropriate words designated by the Owner, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Owner's title to such Unit and the rights of the Lender. The Railroad will not place any such Unit in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such names and words which may be removed, defaced or destroyed. The Railroad will not change the identifying number of any Unit unless and until (i) a statement of a new number or numbers to be substituted therefor shall have been filed with the Owner and filed, recorded and deposited by the Railroad in all public offices where this Agreement shall have been filed, recorded and deposited including, without limitation, the ICC, Official Railway Equipment Register and the Universal Machine Language Equipment Register, and (ii) the Railroad shall have furnished to the Owner an opinion of counsel to the effect set forth in subparagraph (iv)(B) of Section 26 hereof in respect of such statement.

Promptly upon delivery by the Railroad of an invoice therefor, the Owner shall reimburse the Railroad for its out-of-pocket expenses so invoiced in keeping each Unit numbered and marked in accordance with the provisions of this Section 8. The Railroad shall be entitled to issue such invoice up to thirty (30) days prior to any date on which it reasonably expects to incur the expense so invoiced, in which event the Owner shall reimburse the Railroad in advance for such invoiced expense not later than five (5) days prior to the date on which the Railroad reasonably expects to actually incur such expense. In the event that, during the continuance of this Agreement, the Owner becomes liable for the reimbursement of such expense pursuant to this Section 8, such liability shall continue, notwithstanding the expiration of this Agreement until all such expenses are paid or reimbursed by the Owner.

Except as above provided, the Railroad will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Railroad may cause the Units to be lettered with the names or initials or other insignia customarily used by the Railroad or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Agreement.

9. Taxes. The term "Impositions" shall mean all sales, use, personal property, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature, together with any penalties, fines or interest thereon. The Railroad shall pay and discharge all Impositions imposed against the Railroad, the Owner or the Equipment by any federal, state or local government or taxing authority upon or with respect

to the Equipment or upon the purchase, ownership, delivery, lease, possession, use, operation, return, sale or other disposition thereof hereunder or in connection herewith, or upon the Use Fees, rentals, receipts, or earnings arising therefrom, or upon or with respect to this Agreement (excluding, however, taxes on, or measured by, the net income of the Owner) unless, and only to the extent that, any such Imposition is being contested by the Railroad or the Owner in good faith and by appropriate legal proceedings and the non-payment thereof does not, in the reasonable opinion of the Owner, adversely affect the title, property or rights of the Owner to or in the Equipment. If the Railroad shall be entitled to any credit against any such Imposition or any other government charge, which credit shall arise as a result of any expenditure by the Railroad related to the Units, then the Railroad shall apply the full benefit of such credit exclusively to the payment or satisfaction of such Imposition. If the Railroad shall be entitled to any credit against any Imposition or any other government charge, which credit shall arise as a result of any expenditure by the Railroad not related to the Units, then the Railroad shall apply the full benefit of such credit first to the payment or satisfaction of any Imposition imposed against the Railroad relating to property owned or used by the Railroad other than the Units, and second to the payment or satisfaction of any Imposition imposed against the Railroad, the Owner or the Equipment with respect to the Equipment.

Promptly upon delivery of an invoice therefor from the Railroad, the Owner shall reimburse the Railroad for

(a) One Hundred Percent (100%) of the amount by which the Incremental Impositions (as hereinafter defined) with respect to any year exceeds $7,000, up to a maximum reimbursement under this clause (a) of $7,000, plus

(b) Fifty Percent (50%) of the amount by which the Incremental Impositions with respect to such year exceeds $14,000; provided, however, that if the amount of such Incremental Impositions exceeding $14,000 and not reimbursed (or reimbursable) by the Owner pursuant to this clause (b) exceeds the amount of Incentive Fees paid or payable to the Railroad with respect to such year, then the Owner shall further reimburse the Railroad for such Incremental Impositions such that the amount of Incremental Impositions in excess of $14,000 and not reimbursed by the Owner under this clause (b) does not exceed the amount of Incentive Fees paid or payable to the Railroad for such year (less amounts of such Incentive Fees previously paid by the Railroad to the Owner pursuant to Section 5).

For purposes of this Section 9, the term "Incremental Imposition" shall mean the difference between (i) the amount of any Imposition actually paid or payable in cash (after application of any credits

applicable thereto as hereinabove provided) by the Railroad (whether during the term of this Agreement, or after its expiration) except such Impositions

(a) on (based upon or measured by) net income earned by or imposed on the Railroad;

(b) penalties assessed against the Railroad because of its failure to comply timely with any applicable governmental law, rule or regulation; and

(c) Impositions the amount of which is under dispute and being submitted to arbitration pursuant to this Section 9, and

(ii) the amount of any Imposition which the Railroad would have paid in cash (after application of any credit applicable thereto as hereinabove provided) in the absence of this Agreement and the transactions contemplated hereby. The Railroad shall be entitled to issue such invoice up to thirty (30) days prior to any date on which it reasonably expects to incur the expense so invoiced, in which event the Owner shall reimburse the Railroad in advance for the amount so invoiced not later than five (5) days prior to the date on which the Railroad reasonably expects to actually incur such expense. In the event that, during the continuance of this Agreement, the Owner becomes liable for the payment or reimbursement of a portion of any Incremental Imposition pursuant to this Section 9, such liability shall continue, notwithstanding the expiration or earlier termination of this Agreement, until such amounts are paid or reimbursed by the Owner. Upon the expiration or earlier termination of this Agreement, the Owner shall reimburse the Railroad in advance (subject to subsequent readjustment and repayment) that amount, if any which is at such time reasonably expected to become payable to the Railroad by the Owner subsequent to such expiration or termination pursuant to this Section 9.

The Railroad shall comply with all federal, state and local laws concerning the preparation and filing of tax returns with respect to the Equipment and shall provide copies of such returns to the Owner not less than five (5) business days prior to the filing of such return. The Owner shall have the right to review all such tax returns prior to their filing, and shall have the right to approve or object to any such tax returns or portions thereof which relate to the Equipment. Unless the Owner objects to the filing of such return and so notifies the Railroad before such return is filed, the Owner shall be deemed to have approved such return. In the event that the Owner objects to the filing of such return as prepared by the Railroad, such return shall be revised as the Owner and the Railroad shall agree and, failing such agreement, as the Owner shall direct, unless the Railroad is advised by its independent legal counsel that such return would not be in compliance with any applicable governmental law, rule or

regulation, in which event, the Owner may file such return on its own behalf if permitted to do so, and if the Owner is not so permitted by applicable law, the Railroad shall file such return as it determines to be proper and correct under applicable law.

If, and to the extent permissible under the laws of the State of Michigan, the Owner shall have the right to pay any personal property or similar tax, assessment or other government charge with respect to the Units, in lieu of the Railroad paying such Imposition, then the Owner shall have the right, but not the obligation, to pay such Imposition and upon agreeing to pay such Imposition, the Owner shall be freed of its obligation to reimburse the Railroad with respect thereto under the provisions of this Section 9.

In the event the Railroad and the Owner cannot agree upon the amount of any Incremental Imposition, either party may demand that such dispute be resolved by a panel of three (3) arbitrators, one of whom shall be selected by the Railroad, one of whom shall be selected by the Owner and the third to be selected by the two arbitrators selected by the Owner and Railroad. The decision of a majority of such panel of three arbitrators shall be binding upon the parties.

In the event that any governmental agency assesses, or intends to assess, any tax, levy or other similar charge for which the Owner may be responsible, whether in whole or in part, the Railroad agrees that it shall fully cooperate with the Owner and shall take no action or execute any agreement which may be inconsistent or conflict with the rights of the Owner as the same pertain thereto. Further, the Railroad acknowledges that the Owner, at its own expense, shall have the right to contest or appeal any such tax, levy, assessment or similar charges.

10. Reports and Records. On or before March 31 in each year during the term of this Agreement, commencing with the year 1980, the Railroad shall furnish to the Owner an accurate statement signed by an executive officer of the Railroad (a) setting forth as of the preceding December 31 the numbers, description and markings of all Units then subject to this Agreement, the numbers, description and markings of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year (or since the date of this Agreement in the case of the first such statement) and such other information regarding the condition and state of repair of the Equipment as the Owner may reasonably request, (b) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the numbers and markings required by Section 8 hereof have been preserved or replaced, and (c) certifying that all amounts, whether Use Fees or otherwise, payable hereunder by the Railroad to the Owner through the preceding December 31 have been paid, or if any have not

been paid, identifying such unpaid amounts and the reason for their non-payment. The Owner or its designated agent shall have the right to inspect the Equipment and the Railroad's records with respect thereto at such reasonable times as the Owner may request during the term of this Agreement.

The Railroad shall furnish or cause to be furnished to the Owner as soon as available, but in any event not later than One Hundred Twenty (120) days after the close of each fiscal year of the Railroad during the term of this Agreement, a balance sheet of the Railroad as at the end of such fiscal year and the related statements of income and of changes in financial position of the Railroad for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and certified by independent public accountants selected by the Railroad and of recognized standing. As soon as available, but in any event not later than April 30 of each year during the term of this Agreement, the Railroad shall furnish to the Owner a duplicate original of the annual report filed by the Railroad with the ICC or any governmental authority succeeding to all or a part of the functions thereof.

The Railroad shall furnish or cause to be furnished to the Owner as soon as available but in any event not later than Sixty (60) days after the close of each quarterly period, other than the last, of each fiscal year of the Railroad during the term of this Agreement, a balance sheet of the Railroad for such quarter, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the principal financial or accounting officer of the Railroad.

Within Twenty-Five (25) days after the end of each calendar month during the term of this Agreement, the Railroad shall furnish to the Owner a report of the activity of the Units for such month including (i) amounts earned, (ii) amounts received by the Railroad and paid to or for the account of the Owner, (iii) amounts outstanding with respect to prior months with explanations for such outstanding amounts; (iv) maintenance expenditures; (v) Incentive Per Diem fees paid to the Railroad; (vi) Casualty Occurrences; and (vi) other expenditures, if any, made with respect to the Units. Within Forty-Five (45) days after the end of each six-month period ending June 30 or December 31 of each year during the term of this Agreement, the Railroad shall furnish to the Owner a report as to the Utilization of the Units during such six-month period in such detail as shall be reasonably satisfactory to the Owner, which report shall be executed by the President or Vice President of the Railroad.

In the event that any Unit shall be or become lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise, or there

shall occur any other material interruption or termination of use of any Unit regardless of the cause (each such occurrence being herein called a "Casualty Occurrence"), during the term of this Agreement, the Railroad shall, within five (5) days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Owner with respect thereto.

During the term of this Agreement, the Railroad shall promptly advise the Owner of any action brought by the Railroad against the Builder to enforce claims or rights of the Owner against the Builder under the provisions of the Purchase Agreement pursuant to Section 11 of this Agreement.

Additionally, the Railroad shall furnish to the Owner all other reports, statements and information prepared by the Railroad or otherwise in the possession of the Railroad which the Owner is required to provide to the Lender pursuant to the Loan Agreement and any other information requested by the Owner which is available to or reasonably obtainable by the Railroad. Such reports, statements and information shall be delivered to the Owner sufficiently in advance of the dates on which the Owner is required to deliver such items to the Lender so as to enable the Owner to comply with the Loan Agreement.

The Railroad shall prepare and deliver to the Owner at least five (5) days prior to the required date of filing (or, to the extent permissible, file on behalf of the Owner) any and all reports (other than tax returns) relating to maintenance, registration and operation of the Equipment to be filed by the Owner with any federal, state or other regulatory authority by reason of the ownership by the Owner of the Units or the provision thereof to the Railroad. Such documents shall include, but are not limited to, registration with the ICC, in the Official Railway Equipment Register and in the Universal Machine Language Equipment Register, and any and all reports which may be required from time to time by any governmental agency with jurisdiction over the Owner or the Equipment. The Railroad shall perform all record keeping functions relating to use of the Equipment and shall maintain records relating thereto whether such use is by the Railroad or other railroads, all in accordance with AAR Railroad Interchange Agreements and Rules. Such records shall include, but not be limited to, car hire reconciliations. The Railroad shall supply the Owner with copies of such records regarding use of the Equipment as the Owner may reasonably request. All records maintained hereunder, including all records of payments received in connection with the use of the Equipment, amounts expended in connection with the maintenance of the Equipment, or charges and correspondence relating to the Equipment shall be separately recorded and maintained by the Railroad in a form suitable for reasonable inspection by the Owner from time to time during the Railroad's regular business hours.

11. DISCLAIMER OF WARRANTIES AND COMPLIANCE WITH LAWS AND RULES. THE OWNER MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN THE UNITS DELIVERED TO THE RAILROAD HEREUNDER, AND THE OWNER MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR SHALL THE OWNER BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT), it being agreed that all such risks, as between the Owner and the Railroad are to be borne by the Railroad. The delivery of a Certificate of Acceptance by the Railroad shall be conclusive evidence as between the Railroad and the Owner that all Units described therein are in all the foregoing respects satisfactory to the Railroad, and the Railroad will not assert any claim of any nature whatsoever against the Owner based on any of the foregoing matters.

The Owner hereby appoints and constitutes the Railroad its agent and attorney-in-fact during the term of this Agreement to effect and enforce, from time to time, in the name of and for the account of the Owner at the sole cost and expense of the Owner whatever claims and rights the Owner may have against the Builder under the provisions of the Purchase Agreement which claims and rights the Railroad shall effect and enforce.

The Railroad agrees, for the benefit of the Owner, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which it operates, with the interchange rules of the AAR and with all rules of the Department of Transportation, the ICC and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Unit, the Railroad will conform therewith; provided, however, that the Railroad or the Owner may, in good faith, contest, at the expense of the contesting party, the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Owner, adversely affect the property or rights of the Owner and does not result in a Unit being removed from the regular interline interchange service contemplated hereby; and provided further that no such alterations, modifications or replacement of parts shall be made without the prior authorization of the Owner unless made by a railroad other than the Railroad without the prior approval of the Railroad.

Title to any such alteration, replacement or addition of or to any part on any Unit shall be and remain with the Owner.

12. Maintenance of Equipment. The Railroad shall inspect all Units interchanged to insure that such Units are in good working order and condition in the same manner as the Railroad inspects railroad equipment owned by it. The Railroad shall at all times, subject to the rights of the Owner hereinafter set forth in this Section 12, keep the Equipment in good repair and efficient condition and working order, eligible for interchange with other railroads pursuant to AAR Interchange Standards. The Railroad shall supply all parts, services and other items required in the operation and maintenance of the Equipment. All parts, replacements, substitutions and additions to or for any Unit shall immediately become Equipment and the property of the Owner. Charges to the Owner by the Railroad for all repairs, maintenance and servicing performed by the Railroad pursuant to the provisions hereof shall be in an amount equal to the actual cost of materials and direct labor (and charges, if any, by other railroads) incurred by the Railroad in effecting such repairs, maintenance and servicing; but in no event shall such charges exceed AAR Standard Rates as in effect at the time of such repairs, maintenance or service, or such other rules which supersede or replace AAR Standard Rates.

Anything herein to the contrary notwithstanding, the Owner shall have the right to require that any or all repairs, maintenance and/or servicing on any or all of the Units be performed by one or more other persons or railroads able to do such work if the Owner determines that such work can be done by others at more favorable rates, in which event the cost of transporting the Equipment to such other persons or railroads shall be borne by the Owner.

Promptly upon request by the Railroad therefor, the Owner will reimburse the Railroad for all costs, expenses, fees and charges incurred in connection with repairing, maintaining and servicing the Units, unless any such repairs, maintenance or servicing was (or were) (i) occasioned by the negligence or willful misconduct of the Railroad or any of the Railroad's agents or employees or (ii) would be deemed a "handling line responsibility" pursuant to Rule 96 of the AAR Field Manual as in effect at the time, or such other rule which supersedes or replaces such provision. In the event that, during the continuance of this Agreement, the Owner becomes liable for the payment or reimbursement of any expense pursuant to this Section 12, such liability shall continue notwithstanding the expiration of this Agreement, until all such expenses are reimbursed or paid by the Owner.

13. Default. If, during the continuance of this Agreement, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur and be continuing:

A. Default shall be made in the payment by the Railroad of any sum required to be paid or remitted hereunder, and such default shall continue for a period of five (5) days after notice from the Owner that such payment is due;

B. The Railroad shall operate any Unit or permit any Unit to be operated at a time when the insurance required by Section 21 shall not be in effect unless the Railroad is unable to terminate operation of such Unit;

C. Any representation or warranty made by the Railroad in this Agreement is untrue in any material respect, or any statement, report, schedule, notice or other writing furnished by the Railroad to the Owner in connection herewith is untrue in any material respect on the date as of which the facts set forth are stated or certified;

D. Default shall be made in the observance or performance of any other covenant, condition or agreement on the part of the Railroad contained herein, and such failure continues for thirty (30) days after written notice thereof from the Owner to the Railroad;

E. Any act of insolvency by the Railroad, or the filing by the Railroad of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors;

F. The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against the Railroad that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of the Railroad, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment;

G. The Railroad shall discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the ICC or the laws of any state and such discontinuance or abandonment is reasonably expected by the Owner to result in Utilization of the Units for any one year period following such discontinuance or abandonment being below Minimum Utilization;

then, in any such case, the Owner at its option may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Railroad of the applicable covenants of this Agreement (and the Railroad agrees to bear the Owner's costs and expenses, including reasonable attorneys' fees, in securing such enforcement) or to recover damages for the breach thereof; and/or

(b) By notice in writing to the Railroad terminate this Agreement, whereupon all rights of the Railroad to use of the Units shall absolutely cease and terminate as though this Agreement had never been made, but the Railroad shall remain liable as hereinafter provided; and/or

(c) By its agents enter upon the premises of the Railroad or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Railroad, or its successors or assigns, to use the Units for any purposes whatever;

but the Owner shall, nevertheless, have a right to recover from the Railroad any and all amounts which under the terms of this Agreement may be then due or which may have accrued to the date of or subsequent to the date of such termination and also to recover forthwith from the Railroad (i) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Owner shall have sustained by reason of the breach of any covenant, representation or warranty of this Agreement, and (ii) all costs and expenses incurred in searching for, taking, removing, keeping and storing such Units.

The remedies afforded the Owner under this Agreement shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Railroad hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Railroad hereby waives any and all existing or future claims to any offset against the Use Fees or any other payments due the Owner hereunder and agrees to make such Use Fees payments and all other payments regardless of any offset or claim which may be asserted by the Railroad or on its behalf.

The failure of the Owner to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

The non-payment by the Owner of any sum required herein to be paid or reimbursed by the Owner to the Railroad within

fifteen (15) days after such payment is due and after an invoice therefor or other notice thereof has been given to the Owner shall be a default (hereinafter called an "Owner Default") by the Owner hereunder unless the amount not paid by the Owner is disputed by the Owner and the Owner shall have given notice to the Railroad of the nature of such dispute. In the event the Owner disputes the occurrence of an Owner Default claimed by the Railroad, or the Owner and the Railroad are unable to agree upon the amounts payable by the Owner to the Railroad at any time, such dispute or disagreement (hereinafter called an "Owner Dispute") promptly shall be submitted to a panel of three (3) independent arbitrators, one of whom shall be selected by the Owner, one of whom shall be selected by the Railroad and the third to be selected by the Owner and Railroad designated arbitrators. Such arbitrators shall be appointed promptly, and in any event within fifteen (15) days of the date on which either the Railroad or the Owner shall request appointment of such a panel, and shall render their decision to the parties within fifteen (15) business days of the date of their appointment, or as soon thereafter as practicable. The determination of a majority of such arbitrators as to such Owner Dispute shall be binding upon both parties hereto.

Whenever an Owner Default or an Owner Dispute shall have occurred and be continuing, and at any other time when the Owner and the Lender shall so agree, the Railroad, pursuant to Section 2.2 of the Security Deposit Agreement (as defined in the Loan Agreement), may present to the Agent (as defined in the Loan Agreement) a certificate in the form contemplated by such Section 2.2 evidencing a request for amounts claimed by the Railroad to be due the Railroad from the Owner under this Agreement, provided, however, that in the case of the occurrence and continuance of an Owner Dispute, the Railroad shall limit such request to the amount of its out-of-pocket expenses actually incurred and for which it is claiming the right to reimbursement from the Owner. All such amounts so received by the Railroad from the Agent pursuant to this paragraph shall be applied by the Railroad for the account of the Owner against amounts which the Railroad is due from the Owner pursuant to this Agreement.

14. Return of Units Upon Default. If an Event of Default shall occur and be continuing, the Owner may take or cause to be taken from the Railroad immediate possession of the Equipment, or one or more of the Units thereof, and may remove the same from possession and use of the Railroad. For such purpose, the Owner may enter upon the premises of the Railroad or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids, including but not limited to diesel fuel or other necessary petroleum products, and any available trackage and other facilities or means of the Railroad, with or without process of law.

In the event the Owner shall demand possession of the Equipment pursuant to this Section 14 and shall designate a

reasonable location or locations on the lines or premises of the Railroad or points at which the lines of the Railroad interconnect with the lines of any other railroad for the delivery of Equipment to the Owner, the Railroad shall, at its own cost, expense and risk, forthwith and in the usual manner, cause the Equipment to be moved to such location or locations on the Railroad's lines or interchange point or points and shall there deliver the Equipment or cause it to be delivered to the Owner without the right to any reimbursement (except as hereinafter specifically provided to the contrary), and obliterate any insignia or other identifying markings or lettering it has theretofore placed on the Equipment and restore the exterior to its original appearance, wear and tear otherwise hereunder permitted being excepted. At the option of the Owner and without altering the obligation of the Railroad to obliterate any insignia or markings and restore the Equipment to its original appearance, the Owner may keep the Equipment on any of the lines or premises of the Railroad until the Owner shall have leased, sold or otherwise disposed of the same (whether by public or private sale or otherwise), and for such purpose, the Railroad agrees to furnish, without storage or other charge, the necessary facilities at any point or points selected by the Owner reasonably convenient to the Railroad; provided such storage without charge shall not exceed a period of sixty (60) days from the date the Railroad makes the Equipment available to the Owner. During any storage period, the Railroad will permit the Owner or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same. Without in any way limiting the obligation of the Railroad under the foregoing provisions of this Section 14, the Railroad hereby irrevocably appoints the Owner, as agent and attorney of the Railroad with full power and authority, including the power of substitution, at any time while the Railroad is obligated to deliver possession of any Unit to the Owner, to demand and take possession of such Unit in the name and on behalf of the Railroad from whomsoever shall be in possession of such Unit at the time. The agreement to deliver the Equipment and furnish facilities as hereinbefore provided is essential to this Agreement, and upon application to any court of equity having jurisdiction in the premises, the Owner shall be entitled to a decree against the Railroad requiring specific performance hereof.

The Railroad hereby expressly waives any and all claims against the Owner and its assigns or agents for damages of whatever nature in connection with the retaking of any Unit in any reasonable manner.

15. Possession and Use, Assignment, Merger of the Railroad. So long as the Railroad shall not be in default under this Agreement, the Railroad shall be entitled to the possession and the use of the Units upon railroads in the usual interline interchange of railway traffic in the manner and to the extent that railroad equipment similar to the Units is customarily used in the railroad freight business, but only upon and subject to all the terms and conditions of this Agreement; provided, however,

that the Railroad (to the fullest extent permitted by applicable law) (a) shall not assign or permit the assignment of any Unit to service involving the regular operations and maintenance thereof outside the continental United States or permit any Unit to be outside the continental United States for more than Fifty Percent (50%) of any calendar year, and (b) shall not at any time permit more than Ten Percent (10%) of the Units to be located outside the continental United States. Without the prior written consent of the Owner, the Railroad shall not assign or transfer its interest under this Agreement or in or to the Equipment except as herein specifically provided to the contrary. No assignment, lease or interchange entered into by the Railroad hereunder shall relieve the Railroad of any liability or obligations hereunder, which shall be and remain those of a principal and not a surety.

Nothing in this Section 15 shall be deemed to restrict the right of the Railroad to assign or transfer its rights and interest under this Agreement in the Equipment or possession of the Equipment to any corporation (which shall have expressly assumed in writing the due and punctual payment and performance of all obligations hereunder of the Railroad) into or with which the Railroad shall have become merged or consolidated or which shall have acquired the property of the Railroad as an entirety or substantially as an entirety; provided, however, in the event of any such assignment or transfer, all amounts payable by the Railroad to the Owner hereunder shall be calculated and paid as if such assignment or transfer had not occurred.

16. Assignment by the Owner. The Owner and any direct or remote assignee of any right or interest of the Owner hereunder shall have the right at any time or from time to time to assign part or all of its right, title and interest in and to this Agreement, but the Railroad shall be under no obligation to any assignee except upon receipt of written notice of such assignment from the Owner.

In the event of any assignment of all or any part of its right, title and interest in and to this Agreement by the Owner (a) upon notice by the Owner the Railroad will make all payments of amounts due hereunder directly to the assignee; (b) the Railroad's obligations hereunder, including, without limitation, its obligation to make the Use Fees payments described in Section 6 hereof, shall not be subject to any reduction, abatement, defense, setoff, counterclaim or recoupment for any reason whatsoever, which, however, shall not prevent the Railroad from asserting any claim separately against the Owner or exercising its rights hereunder; (c) the Railroad will not, after obtaining knowledge of any such assignment, consent to any modification of this Agreement without the consent of the Owner and such assignee; and (d) the Railroad will provide to the Owner and such assignee such certificates, statements or other information as the Owner or such assignee may reasonably request, including, without limitation, a certificate certifying the absence of any default or Event of Default hereunder, if such be the case.

17. Return of Units Upon Expiration of Term. As soon as practicable on or after the expiration (or earlier termination pursuant to Sections 5, or to the extent not inconsistent with Section 13 or 14, pursuant to Section 13 or 14) of the term of this Agreement with respect to any Unit, the Railroad shall deliver possession of such Unit to the Owner upon such storage tracks of the Railroad or to such interchange point or points of the Railroad as the Owner reasonably may designate, provided that such storage on the Railroad's storage tracks does not interfere with the operations of the Railroad. The Railroad will permit the Owner to store such Unit on such tracks without storage or other charge, for a period not exceeding sixty (60) days after delivery of possession to the Owner hereunder and transport the same, at any time within such sixty (60) day period, to any reasonable place on the lines operated by the Railroad, or to any connecting carrier for shipment, all as directed by the Owner, such movement and storage of any such Unit on the storage tracks of the Railroad to be at the expense and risk of the Owner except as specifically provided above to the contrary. During said sixty (60) day storage period and at the expiration thereof, the Railroad agrees to transport the Units to any other reasonable place designated by the Owner, the movement of such Units to such places (other than to the places set forth in the immediately preceding sentence) to be at the expense and risk of the Owner. The Railroad shall remit to the Owner, promptly upon receipt thereof, any and all income earned and received by the Railroad for use of such Units by others, including all income received from users pursuant to the ICC Car Hire Rate Tables, during such movement, and the Railroad agrees to use its best efforts to realize all such revenues on such Units during such movement. During any storage period provided herein, the Railroad will maintain any insurance required pursuant to Section 21 hereof and will permit the Owner or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of such Units, to inspect the same; provided, however, that the Railroad shall not be liable, except in the case of negligence of the Railroad or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Owner or any prospective purchaser or lessee, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Agreement, and upon application to any court of equity having jurisdiction in the premises, the Owner shall be entitled to a decree against the Railroad requiring specific performance hereof. Each Unit returned to the Owner pursuant to this Section 17 shall (i) be in the same operating order, repair and condition as when originally delivered to the Railroad, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the AAR and/or the applicable rules of any governmental agency or other organization with jurisdiction over use of such Units in regular railroad interchange service, and if so requested by the Owner, the Railroad shall obliterate any insignia or other identifying markings or

lettering it has theretofore placed on the Equipment and restore the exterior to its original appearance, wear and tear otherwise hereunder permitted being excepted. Promptly upon delivery of an invoice therefor from the Railroad, the Owner shall reimburse the Railroad for all out-of-pocket expenses incurred by the Railroad in storing, delivering, insuring, obliterating any insignia or other markings on, or repairing or rehabilitating any of the Units pursuant to this Section 17. The Owner's obligations to so reimburse the Railroad shall survive the expiration (or earlier termination pursuant to Section 5) of this Agreement.

18. The Railroad's Warranties; Indemnification. The Railroad represents and warrants that:

(a) The Railroad is a corporation duly organized and existing in good standing under the laws of the State of Michigan.

(b) The Railroad is duly authorized to execute and deliver this Agreement, and is duly authorized to use the Equipment hereunder and to perform its obligations hereunder.

(c) The execution and delivery of this Agreement by the Railroad, and the performance by the Railroad of its obligations hereunder, do not conflict with any provision of law or with the Railroad's charter or by-laws or with any indenture, mortgage, deed of trust or agreement or instrument binding upon the Railroad or to which the Railroad is a party.

(d) The execution, delivery and performance of this Agreement by the Railroad and the consummation by the Railroad of the transactions contemplated hereby do not require the consent, approval or authorization of, or notice to, any federal, state or local governmental authority or public regulatory body.

(e) The Railroad's financial statement as of December 31, 1978, a copy of which has been furnished to the Owner, has been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year and presents fairly the financial position of the Railroad as at the date thereof, and the results of its operations for the period then ended, and since such date there has not been any material adverse change in its financial position.

(f) This Agreement is a legal, valid and binding obligation of the Railroad, enforceable in accordance with its terms.

(g) There are not any pending or threatened actions or proceedings before any court or administrative agency which will to a material extent adversely affect the financial condition or continued operation of the Railroad and its subsidiaries on a consolidated basis (except as previously disclosed in writing by the Railroad to the Owner and the Lender) or the ability of the Railroad to perform its obligations under this Agreement.

(h) The Railroad has during the years 1964-1968 neither built, leased nor purchased any new or rebuilt boxcars.

The Railroad hereby assumes liability for and agrees to indemnify, protect, save and keep harmless the Owner and its successors, assigns, heirs, agents and servants (each of the foregoing, as well as any successor or assign of any of the foregoing, together with their respective agents and servants being hereinafter in this paragraph referred to as an "Indemnitee"), from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability), actions, suits, costs, expenses, and disbursements (including, without limitation, legal fees and expenses of whatsoever kind and nature whether or not any of the transactions contemplated hereby are consummated) relating to or arising out of the ownership, delivery, nondelivery, lease, sub-lease, possession, use, operation, maintenance, condition, registration, sale, return, storage or other disposition of the Equipment to the extent, but only to the extent, that the Railroad would be obligated to indemnify an Indemnitee if, under the circumstances giving rise to the claim of indemnification, the Owner had been another railroad with which the Railroad had no separate special contract of indemnity except as provided in any general interchange rules and agreements then in force of the ICC or AAR; provided, however, that the foregoing indemnity shall not extend to any liability, obligation, loss, damage, penalty, claim, action, suit, cost, expense or disbursement of any Indemnitee (a) resulting from the gross negligence or willful misconduct of such Indemnitee, or (b) which is a tax, fee or other charge, based upon net income, gross receipts, franchise tax measured by net income based upon such gross receipts, or excess profits tax imposed upon such Indemnitee. If either party hereto has knowledge of any liability hereunder indemnified against, it shall give prompt notice thereof to the other and the party entitled to be indemnified, as the case may be.

The Railroad's obligations under the indemnities provided for in this Agreement shall be those of a primary obligor whether or not the party indemnified shall also be indemnified with respect to the same matter under the terms of any other agreement or instrument, and the person seeking indemnification from the Railroad pursuant to the provisions of this Agreement may proceed directly against the Railroad without first seeking to enforce any other right of indemnification. Upon the payment in full by the Railroad of any indemnity provided for under this Agreement,

the Railroad shall be subrogated to any right of the Indemnitee in respect of the matter as to which such indemnity was paid.

The indemnities and agreements of the Railroad provided for in this Agreement, and the Railroad's obligations under any and all thereof, shall survive the expiration or other termination of this Agreement.

19. The Owner's Warranties. The Owner represents and warrants that:

(a) The Owner is a corporation duly organized and existing in good standing under the laws of the State of Connecticut.

(b) The Owner is duly authorized to execute and deliver this Agreement and is duly authorized to provide the Equipment to the Railroad and to perform its obligations hereunder.

(c) The execution and delivery of this Agreement and the performance by the Owner of its obligations hereunder do not conflict with any provision of law or with the charter or by-laws of the Owner or with any indenture, mortgage, deed of trust or other agreement or instrument binding upon the Owner or to which the Owner is a party.

(d) The execution, delivery and performance of the Agreement by the Owner and the consummation by the Owner of the transactions contemplated hereby do not require the consent, approval or authorization of, or notice to, any federal, state or local governmental authority or public regulatory body.

(e) There are no pending or threatened actions or proceedings before any court or administrative agency which will to a material extent adversely affect the financial condition or continued operation of the Owner or the ability of the Owner to perform its obligations under this Agreement.

(f) To the best knowledge of the Owner, there is no fact which the Owner has not disclosed to the Railroad in writing, nor, so far as the Owner can now reasonably foresee, which will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Owner or the ability of the Owner to perform its obligations under this Agreement.

20. Ownership of Equipment; Federal Income Taxes. It is the intent of the parties to this Agreement that the Owner of the Units shall at all times be and remain the Owner of such Units.

The Railroad shall at no time take any action or file any instrument which is inconsistent with the foregoing intent. At the request of the Owner and/or any governmental agency having jurisdiction and/or any third party designated in writing by the Owner as having an interest in the Equipment, the Railroad will take such action legally permissible and execute such documents as may be necessary to accomplish or more fully evidence the foregoing intent.

The Owner of the Units shall be entitled to claim deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the "Code"), to an owner of property, including, without limitation: (a) the maximum depreciation deduction for any year (hereinafter called the "Depreciation Deduction") with respect to the Units authorized under Section 167 of the Code, (b) deductions with respect to the interest payable under the Loan Agreement between the Owner and the Lender with respect to the Units pursuant to Section 163 of the Code (hereinafter called the "Interest Deduction"), and (c) investment tax credit with respect to the Equipment authorized pursuant to Sections 38 and 50 of the Code (hereinafter called the "ITC"). In furtherance of the foregoing, the Railroad shall maintain such records, execute such documents and take such other action as may be reasonably requested by the Owner to permit and assist Owner in claiming the Depreciation Deduction, Interest Deduction and ITC with respect to the Units and the Railroad shall take no action inconsistent with the foregoing intent. Nothing contained in this Section 20 shall (i) confer any rights upon the Owner of the Equipment or provide the Owner with tax benefits otherwise unavailable, or (ii) be construed as a representation or warranty to the Owner of the availability of any tax benefit.

21. Insurance. The Railroad will maintain, at all times during the term of this Agreement (and thereafter during any period in which the Units are being stored pursuant to Sections 14 or 17 hereof), with reputable insurers acceptable to the Owner and the Lender, insurance with respect to each Unit in an amount not less than the greater of (i) the Casualty Value (as defined in the Loan Agreement) of each Unit, or (ii) the fair market value of each Unit as determined by the Owner, (but such coverage for all of the Units at any time subject to this Agreement may be limited to $1,000,000 for each occurrence), insuring each Unit against loss, destruction and damage arising out of theft, loss, damage, destruction, fire, windstorm, explosion, and all other hazards and risks ordinarily subject to extended coverage insurance, and against such other hazards and risks as are customarily insured against by companies owning or leasing property of a similar character and engaged in a business similar to that engaged in by the Railroad.

The Railroad shall further maintain, at all times during the term of this Agreement (and thereafter during any period in which Units are being stored pursuant to Sections 14 and 17 hereof), with reputable insurers acceptable to the Owner and the Lender,

public liability and property damage insurance with respect to the Units in amounts not less than the greater of (a) the amounts of insurance maintained by the Railroad with respect to railroad equipment of a similar kind owned by the Railroad, or (b) $10,000,000, insuring the Owner and the Lender against liability for personal injury and property damage caused by or relating to the Units or their use. Each liability policy shall be primary without right of contribution from any other insurance which is carried by the Owner and shall expressly provide that all of the limits thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

The Railroad shall further maintain at all times during the term of this Agreement (and thereafter during any period in which the Units are being stored pursuant to Sections 14 or 17 hereof), with reputable insurers acceptable to the Owner and the Lender, insurance policies insuring the Owner for the loss of revenues from each Unit in excess of ten (10) Units which becomes inoperable due to damage, for an eighty (80) day period commencing ten (10) days after the date of such damage.

All such insurance policies maintained pursuant to this Section 21 shall (i) name the Lender, the Owner and the Railroad as co-insureds, with losses to be payable to all such entities as their interests may appear, (ii) provide that the policies will not be invalidated as against the Owner or the Lender because of any violation of a condition or warranty of the policy or application therefor by the Railroad or the Owner, (iii) provide that the policies may be materially altered or cancelled by the insurer only after thirty (30) days prior written notice to the Owner and the Lender, and (iv) comply in all respects with the requirements for such policies set forth in the Loan Agreement. The Railroad shall deliver to the Owner prior to the commencement of the term of this Agreement for any Unit (or at such other time or times as the Owner may request) a certificate or other evidence of the maintenance of all such insurance required hereunder satisfactory to the Owner. In the event, at any time, the insurance required by this Section 21 shall not be in full force and effect, the Railroad shall not operate the Equipment and shall use its best efforts to prohibit the use of any Unit by any other entity.

The proceeds of any insurance received by the Owner on account of loss, damage or destruction to any Unit may, but are not required to, be used to acquire a replacement unit of railroad equipment similar to such Unit, which replacement unit may be delivered to the Railroad and, upon acceptance thereof, shall be subjected to this Agreement as if it were one of the original Units delivered hereunder.

Promptly upon delivery of an invoice therefor from the Railroad, the Owner shall reimburse the Railroad for all insurance premiums so invoiced by the Railroad with respect to the Equipment. The Railroad shall be entitled to issue such invoice up to thirty

(30) days prior to any date on which it reasonably expects to incur the expense so invoiced, in which event the Owner shall reimburse the Railroad in advance for such invoiced expense not later than five (5) days prior to the date on which the Railroad reasonably expects to actually incur such expense. In the event that, during the continuance of this Agreement, the Owner becomes liable for the payment or reimbursement of any insurance premiums pursuant to this Section 21, such liability shall continue, notwithstanding the expiration of this Agreement, until all such insurance premiums are reimbursed by the Owner. The Owner shall have the right to purchase directly any and all insurance required under this Section 21. If the Owner exercises this right it shall so notify the Railroad and each other party to which notice may otherwise be required to be sent. The Railroad's obligations hereunder shall be deemed to have been performed to the extent actually performed by the Owner pursuant to this paragraph.

22. Recording; Expenses. Prior to the delivery and acceptance hereunder of any Unit, the Railroad will cause this Agreement to be filed and recorded with the ICC in accordance with 49 U.S.C. 11303 and will cause the Equipment to be duly registered in the Official Railway Equipment Register. The Railroad will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Owner for the purpose of proper protection, to the satisfaction of the Owner, of the Owner's title to the Equipment or for the purpose of carrying out the transactions contemplated by this Agreement. The Railroad will promptly furnish to the Owner evidences of all such filing, registering, recording, depositing, refiling, reregistering, rerecording and/or redepositing, and an opinion or opinions of counsel for the Railroad with respect thereto satisfactory to the Owner.

Promptly upon request therefor from the Railroad, the Owner shall reimburse the Railroad for all out-of-pocket expenses incurred by the Railroad in connection with the filing and recording of this Agreement, such other instruments and documents as are required to be prepared, filed, refiled, registered, reregistered, recorded, rerecorded, deposited or redeposited, and the reasonable fees of legal counsel incurred to comply with the provisions of this Section 22. In the event that, during the continuance of this Agreement, the Owner becomes liable for the payment or reimbursement of any recording expenses incurred by the Railroad pursuant to this Section 22, such liability shall continue, notwithstanding the expiration of this Agreement, until such expenses are reimbursed by the Owner.

23. Interest on Overdue Payments. Anything to the contrary herein contained notwithstanding, any non-payment of amounts and other obligations due from the Railroad hereunder shall result in the obligation on the part of the Railroad promptly to pay also, to the extent legally enforceable, an amount equal to 12% per

annum of the overdue amounts for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

24. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, addressed as follows:

if to the Owner:

Operating Lease Services, Inc.
47 Locust Hill Road
Darien, Connecticut 06820

with copies to:

Operating Lease Services, Inc.
c/o Gollust & Tierney, Inc.
30 Rockefeller Plaza
Suite 4510
New York, New York 10020
Attention: Paul E. Tierney, Jr.

and

Manufacturers Hanover Leasing Corporation
30 Rockefeller Plaza
New York, New York 10020
Attention: Vice President
Credit Department
Eastern United States

if to the Railroad:

Detroit and Mackinac Railway Company
120 Oak Street
Tawas City, Michigan 48763
Attention: Charles A. Pinkerton, III

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing.

25. Right to Perform. If the Railroad fails to make any payments required by this Agreement, or to perform any of its other agreements contained herein, the Owner may, but shall not be required to, make any such payments or perform any such obligations. The amount of any such payments and the Owner's expenses, including, without limitation, reasonable legal fees and expenses incurred in connection therewith, shall thereupon be and become payable by the Railroad to the Owner upon demand unless such expenses are of the type for which the Owner is required to reimburse the Railroad as herein elsewhere provided.

26. Conditions to the Owner's Obligations. The Owner shall not be obligated hereunder unless on or before, but no more than five (5) days before, the first Delivery Date of Units under this Agreement:

(i) All of the Railroad's representations and and warranties in Section 18 of this Agreement shall be true and correct as though made as of such date;

(ii) No litigation or governmental proceedings shall be threatened or pending against the Railroad or any subsidiary which in the Owner's reasonable opinion will to a material extent adversely affect the ability of the Railroad to perform its obligations hereunder;

(iii) No Event of Default, or event which with the passage of time, or the giving of notice, or both might mature into an Event of Default, shall have occurred or be continuing hereunder;

(iv) The Railroad shall have furnished to the Owner, in form and substance satisfactory to the Owner, the following on or prior to such date:

(A) Resolutions of the Board of Directors of the Railroad, certified by its Secretary or an Assistant Secretary, authorizing the use of the Equipment hereunder and the execution, delivery and performance by the Railroad of this Agreement;

(B) A favorable opinion of counsel for the Railroad, addressed to the Owner and the Lender, dated such date, to the effect that:

(1) The Railroad is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan;

(2) The Railroad has full power, authority and legal right to own its properties and to conduct its business as now conducted, and to execute, deliver and perform this Agreement;

(3) The Railroad is duly authorized to execute and deliver this Agreement, and is duly authorized to use the Equipment hereunder and to perform its obligations hereunder;

(4) The execution and delivery of this Agreement by the Railroad, and the performance by the Railroad of its obligations hereunder,

do not and will not conflict with any provision of law or the charter or by-laws of the Railroad or any indenture, mortgage, deed of trust or agreement or instrument binding upon the Railroad or to which the Railroad is a party;

(5) The execution, delivery and performance of this Agreement by the Railroad and the consummation by the Railroad of the transactions contemplated hereby do not require the consent, approval or authorization of, or notice to, any federal or state governmental authority or public regulatory body or any other party (including the stockholders of the Railroad);

(6) This Agreement is a legal, valid and binding obligation of the Railroad enforceable in accordance with its terms (except as enforceability may be affected by bankruptcy, reorganization, insolvency or similar laws affecting the rights of creditors generally);

(7) There are not to the knowledge of such counsel any pending or threatened actions or proceedings before any court or administrative agency which will, in the opinion of such counsel, to a material extent adversely affect the financial condition or continued operation of the Railroad and its subsidiaries on a consolidated basis;

(C) Evidence that the insurance required pursuant to Section 21 hereof is in full force and effect; or

(v) The Owner shall have received a favorable opinion of counsel to the effect that this Agreement has been duly filed and recorded with the ICC pursuant to 49 U.S.C. 11303 and that such filing and recording will protect the Owner's interest in and to the Units, and that no future filing or recording (or giving of notice) with any other federal, state or local governmental agency is necessary in order to protect such interests in and to the Units and this Agreement.

27. Severability; Effect and Modification of Agreement. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Agreement exclusively and completely states the rights of the Owner and the Railroad with respect to the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Owner and the Railroad.

28. Execution. This Agreement may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but to the extent, if any, that this Agreement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Agreement may be created through the transfer or possession of any counterpart other than the original counterpart which shall be identified as the counterpart containing the receipt therefor executed by the Lender on the signature page thereof and all other counterparts shall be deemed to be duplicates.

Although for convenience this Agreement is dated as of the date first above set forth, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

29. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. 11303 and such additional rights arising out of the filing, registering, recording or depositing hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, registered, recorded or deposited and any rights arising out of the marking on the Units.

30. Miscellaneous. This Agreement, and the Schedules and Exhibits hereto, shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

It is expressly understood and agreed that this Agreement does not constitute or create a joint venture or partnership and the parties hereto agree to execute such other instruments and take such other actions as may be reasonably requested by either party hereto to evidence the foregoing intention.

The Index and Section headings set forth herein are for convenience and reference only and are not intended to modify, limit, describe or affect in any way the contents, scope, intent or interpretation of this Agreement.

31. Classification of Equipment; AAR Car Service Rules Nos. 1 and 2. Without the prior consent of the Owner, the Railroad shall not take any action to change the mechanical designation of the Units from that of "Special Purpose XF Boxcars". At any time during the term of this Agreement, if the Owner and the Railroad shall agree upon any such reclassification, then the Railroad shall within ninety (90) days take all action necessary to effect such reclassification, the expenses of such reclassification to be shared by the Railroad and the Owner as they shall agree; provided, however, that if at any time during the term of this Agreement, the Units shall be classified in such a manner as to make them ineligible under then prevailing ICC and/or AAR rules and regulations to be loaded with and carry in revenue producing interline interchange service the principal products at such time being shipped from the Procter & Gamble Company plant located on South Main Street, Cheboygan, Michigan, and if the Owner shall instruct the Railroad to reclassify the Units so as to make them eligible to be loaded with and to carry such products, then the Railroad promptly shall take all action necessary to effect such reclassification, the expense thereof to be paid exclusively by the Owner.

Without the prior consent of the Owner, the Railroad shall not take any action to waive AAR Car Service Rules Nos. 1 and 2 with respect to the Units. At any time during the term of this Agreement, if the Owner and the Railroad shall agree to waive AAR Car Service Rules Nos. 1 and 2 or to vacate a prior waiver of such Rules, then the Railroad promptly shall take such action as shall be so agreed upon, the expense of such action to be shared by the Railroad and the Owner as they shall agree.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this Agreement to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

WITNESS:

OPERATING LEASE SERVICES, INC.

Keith R. Gollust

BY: Paul E. Tierney Jr.

DETROIT & MACKINAC RAILWAY COMPANY

Jackie L. Fryt

BY: Charles A. Pinkerton

THE RIGHT, TITLE, AND INTEREST OF OPERATING LEASE SERVICES, INC. IN AND TO THIS BOXCAR AGREEMENT HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF MANUFACTURERS HANOVER LEASING CORPORATION UNDER A LOAN AND SECURITY AGREEMENT DATED AS OF THE DATE OF THIS BOXCAR AGREEMENT, WHICH LOAN AND SECURITY AGREEMENT HAS BEEN FILED WITH THE ICC PURSUANT TO 49 U.S.C. 11303.

THIS AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. TO THE EXTENT, IF ANY, THAT THIS AGREEMENT CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION) NO SECURITY INTEREST IN THIS AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN THE ORIGINAL COUNTERPART WHICH SHALL BE IDENTIFIED AS THE COUNTERPART CONTAINING THE RECEIPT THEREFOR EXECUTED BY MANUFACTURERS HANOVER LEASING CORPORATION ON THE SIGNATURE PAGE HEREOF, AND ALL OTHER COUNTERPARTS SHALL BE DEEMED TO BE DUPLICATES.

STATE OF CONNECTICUT)
: SS: Darien
COUNTY OF FAIRFIELD)

On this the 23rd day of November, 1979, before me, , the undersigned officer, personally appeared Paul E. Tierney, Jr., who acknowledged himself to be the President of OPERATING LEASE SERVICES, INC., a corporation, and that he, as such authorized officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such authorized officer.

IN WITNESS WHEREOF, I hereunto set my hand.

Emma B. Yeager
Notary Public

My commission expires on My Commission Expires April 1, 1980.

STATE OF MICHIGAN)
: SS:
COUNTY OF Iosco)

On this 14th day of November, 1979, before me appeared Charles A. Pinkerton, III, to me personally known, who, being by me duly sworn, did say that he is the President of DETROIT & MACKINAC RAILWAY COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation, by authority of its board of directors, and the said President acknowledges the execution of the said instrument as the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the day and year aforesaid.

Shirley R. Luedtke
Notary Public

My commission expires on SHIRLEY R. LUEDTKE , 19__.
Notary Public, Iosco County, Michigan
My Commission Expires April 28, 1981

SCHEDULE A

TO

BOXCAR AGREEMENT

Description of Equipment

Specifications	Maximum Quantity	Road Numbers (Inclusive)	Builder's Base Price Unit	Builder's Base Price Aggregate
70 Ton, 50'-6" Special Purpose XF Boxcars	30	DM 20270-20299	$41,000	$1,230,000
70 Ton, 50'-6" Special Purpose XF Boxcars	30	DM 20240-20269	$39,000	$1,170,000
	60			$2,400,000

Delivery

October 1, 1979 to
March 31, 1980 at
Builder's Plant

SCHEDULE B

TO

BOXCAR AGREEMENT

Railroad Equipment Covered by Hillman Management Agreement

Specifications	Quantity	Road Numbers (Inclusive)
70 Ton, 50'-6" General Purpose XM Boxcars	250	DM10000 - 10249

Railroad Equipment Presently Owned or Leased by the Railroad

Specifications	Quantity	Road Numbers (Inclusive)
70 Ton, 50'-6" General Purpose XM Boxcars	100	DM2100-2199
70 Ton, 50'-6" General Purpose XM Boxcars	100	DM2200-2299
70 Ton, 50'-6" Special Purpose XF Boxcars	100	DM2400-2499

SCHEDULE C

TO

BOXCAR AGREEMENT

Hillman Units

Specifications	Quantity	Road Numbers (Inclusive)
70 Ton, 50'-6" Special Purpose XF Boxcars	240	DM 20000-20239

Delivery

October 1, 1979 to March 31, 1980 at Builder's Plant

SCHEDULE D

TO

BOXCAR AGREEMENT

Examples of Determination of Incentive Fees

With respect to each example below, assume the following for each Unit:

(a) Per Diem revenue for 7,008 hours Off-Line (80% of a 365-day period or 8,760-hour period) at a rate of $0.80 per hour* = $5,606.

(b) Incentive Per Diem revenue for 3,504 hours Off-Line (40% of a 365-day or 8,760-hour period) at a rate of $0.57 per hour* = $1,997.

(c) Mileage revenue for 16,352 miles traveled Off-Line during a 365-day period or 8,760-hour period at a rate of $0.0581 per mile* = $950.

Gross Revenue Per Unit	Level of Utilization of the Units 80%	85%	90%
Per Diem	$5,606	$5,957	$6,307
Incentive Per Diem	3,995	4,244	4,494
Mileage	950	1,009	1,069
Total	$10,551	$11,210	$11,870

Incentive Fees Payable to the Railroad**

Example 1: At 80% Level of Utilization of the Units:

(a)	.5x($5,606 - 5,606) =	0
(b)	.5x($3,995 - 1,997) =	$999
(c)	.5x($ 950 - 950) =	0
		$999

Example 2: At 85% Level of Utilization of the Units:

(a)	.5x($5,957 - 5,606) =	$ 176
(b)	.5x($4,244 - 1,997) =	1,124
(c)	.5x($1,009 - 950) =	30
		$1,330

Example 3: At 90% Level of Utilization of the Units:

(a)	.5x($6,307 - 5,606) =	$ 351
(b)	.5x($4,494 - 1,997) =	1,249
(c)	.5x($1,069 - 950) =	60
		$1,660

*Represents car hire earnings for years 0 - 5 for a per Unit price bracket of $41,000 - 43,000. Revenues reflect increased Per Diem Car Hire rates put into effect by the ICC in July, 1979 pursuant to Ex Parte 334. Each Unit is assumed to travel Off-Line an average of 56 miles per day.

**If two numbers, when multiplied together, result in a negative number, no Incentive Fee is payable.

SCHEDULE E

TO

BOXCAR AGREEMENT

Examples of Determination of Minimum Utilization*

Example 1: Assume:

(1) The Units are designated "Special Purpose XF Boxcars" and were purchased new on November 1, 1979 at a cost of $41,000 to $43,000 each; and

(2) Incentive Per Diem has been in effect for the immediately preceding twelve months for Special Purpose XF Boxcars, and for six months during the immediately preceding twelve month period for General Purpose XM Boxcars.

Calculation of Minimum Utilization for the Units, which is the level of Utilization of the Units for the immediately preceding twelve months which would have resulted in Use Fees equalling the Use Fees for such twelve month period if the Units had (x) been General Purpose XM Boxcars purchased new on November 1, 1979 at a per Unit cost of $41,000, (y) travelled 16,352 miles Off-Line during such twelve month period, and (z) the level of Utilization of the Units for such twelve month period had been 80%:

On a Per Unit Basis

Car Designation	XM	XF
Level of Utilization of the Units	80%	64.85%
Per Diem	$5,606	$4,545
Incentive Per Diem	1,997	3,238
Mileage**	950	770
Total	$8,553	$8,553

Minimum Utilization = 64.85%

Example 2: Same assumptions as in Example 1 above except, in this case, Incentive Per Diem for Special Purpose XF Boxcars has been in effect for nine months during the immediately preceding twelve month period.

On a Per Unit Basis

Car Designation	XM	XF
Level of Utilization of the Units	80%	71.63%
Per Diem	$5,606	$5,020
Incentive Per Diem	1,997	2,682
Mileage**	950	851
Total	$8,553	$8,553

Minimum Utilization = 71.63%

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* Per Diem, Incentive Per Diem and Mileage Car Hire rates represent rates that were in effect on November 1, 1979.

** Each Unit is expected to travel Off-Line 56 miles per day.

EXHIBIT A

TO

BOXCAR AGREEMENT

Certificate of Acceptance No. __

Reference is made to (i) the Boxcar Agreement dated October 23, 1979 between Operating Lease Services, Inc. ("Owner") and Detroit & Mackinac Railway Company ("Railroad"); (ii) the Purchase Agreement between the Owner and Whittaker Corporation (Berwick Forge and Fabricating Division) ("Builder") referred to in the Boxcar Agreement; (iii) the Loan and Security Agreement dated as of October 23, 1979 between the Owner and Manufacturers Hanover Leasing Corporation ("Lender"), all relating to up to Sixty (60) Special Purpose XF Boxcars ("Units").

The undersigned hereby certifies that:

1. He is an employee of the Railroad duly authorized to receive delivery of, inspect and accept the Units on behalf of the Railroad and the Owner;

2. The Units whose Serial Numbers are listed below (i) have been delivered by the Builder, (ii) have been inspected by the undersigned, (iii) conform to the specifications for the Units referred to in the Purchase Agreement, (iv) conform to all requirements and interchange standards of the Association of American Railroads, the Interstate Commerce Commission, and the Department of Transportation, (v) conform to all other specifications and requirements of the Boxcar Agreement, and (vi) are marked in accordance with the requirements of Section 8 of the Boxcar Agreement and Section 6.18 of the Loan and Security Agreement.

The undersigned hereby accepts the Units whose Serial Numbers are listed below on behalf of (a) the Owner pursuant to the Purchase Agreement, and (b) the Railroad pursuant to the Boxcar Agreement.

Dated: _____ Detroit & Mackinac Railroad Company

BY: _____

Total Number of Units:

Serial Numbers of Units: